

1920

The  
Liberal-Conservative  
Hand Book  
1920

FINANCIAL FACTS

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# FINANCIAL FACTS

## Relating to the Province of Manitoba under the Norris-Brown Administration

Total bonded indebtedness of the Province of Manitoba on June 1st, 1920 . . . . .	\$42,966,870.34
Bonded indebtedness of the Province of Manitoba, May 15th, 1915, according to Price-Waterhouse statement . . . . .	27,323,273.00
Net increase in bonded indebtedness of the Province . . . . .	<u>\$15,643,597.34</u>

Total amount of bonds issued by Norris Government from May 15th, 1915, to June 1st, 1920 . . . . .	\$27,371,000.00
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Made up as follows:

1915 . . . . .	\$ 1,000,000.00
1916 . . . . .	3,724,000.00
1917 . . . . .	2,250,000.00
1918 . . . . .	3,700,000.00
1919 . . . . .	4,080,000.00
1920 . . . . .	12,617,000.00
	<u>\$27,371,000.00</u>

Bonds retired by Norris Government:

Series "M" . . . . .	\$ 1,000,000.00
Series "N, O, P" . . . . .	1,073,000.00
Series "K" . . . . .	5,475,000.00
Bond conversion . . . . .	3,100,403.30
Telephone debentures . . . . .	6,000.00

\$10,654,403.30

Increase in bonded indebtedness during term of Norris Government . . . . .	\$16,716,596.70
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Total amount of bonds issued by Norris Government between May 15th, 1915, and June 1st, 1920, and outstanding on June 1st, 1920 . . . . .	\$25,298,000.00
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Bond sales by the Honourable Edward Brown, between January 1st, 1920, and June 1st, 1920, amounted to . . . . .	\$12,617,000.00
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These issues were made as follows:

1. Refunding issue of \$6,498,000.

Disposed of as follows:

\$4,000,000.00 five year 6% bonds, 102.81 Canadian funds, or 94.76 New York funds, to the Merchants Bank acting for W. A. McKenzie & Co., R. A. Daly & Co., and Brent-Noxon & Co., all of Toronto.

\$2,498,000.00 ten year 6% bonds at a price of 101.86 Canadian funds, or 93.45 New York funds, sold to Dominion Securities Co., Wood, Gundy & Co., and A. E. Ames Co., all of Toronto, and the other three firms. The Hon. Ed. Brown, however, allowed the above six purchasers to withdraw from the said sale of the ten year bonds and thereupon sold the said issue to J. P. Morgan & Co., at a net price of 92.11 New York funds, sustaining a loss of \$33,073.22 American funds.

2. As reported in the Free Press, April 28th, 1920, \$500,000.00 three year 5% bonds sold to A. E. Ames & Co. at 99.314 Canadian funds, said bonds payable in Canada or United States, moneys to be used for Farm Loans.



3. According to Free Press, May 12th, 1920, sale of \$2,850,000.00 five year 6% bonds to J. P. Morgan & Co., at a price of 92.841 New York funds, or 102.48 Canadian funds. Purpose was to take up Treasury Bills as shown in Public Accounts, November 30th, 1919. Brown claims in his statement in the paper that the government received a premium of \$274,724.00. The premium, as a matter of fact, was in Canadian funds, 2.48 points on \$2,850,000.00—\$70,680.00 Canadian funds.

4. Free Press, May 18th, 1920, shows an advertisement calling for tenders to close May 26th, 1920, for an issue of \$2,769,000.00 five year 6% bonds payable in New York and Canada, date of issue May 15th, 1920.

Sale of \$2,000,000.00 five year 6% bonds to Wood, Gundy and Company at a price of 89.66 New York funds, or a premium of \$11,720.00 in Canadian funds. The balance, \$769,000.00, has been issued but not yet disposed of.

It is important to note that prospective tenderers all over Canada were allowed only 8 days from the time of the advertisement to secure the necessary particulars and to file their tenders. The result was that the favorite firm in all the secret transactions of the Norris Government, namely, Wood, Gundy and Company, were the successful tenderers.

Annual interest on bonds and stock outstanding June 1st, 1920	\$2,188,893.56
Annual interest on bonds and stock outstanding May 15th, 1915	1,173,102.41
Amount of increase of annual interest by Norris Government	1,015,791.15
Add amount paid on exchange in U.S.A., on basis of rate on May 28th, 1920—12-17/32	177,550.00
Total amount of increase of annual interest	\$1,193,341.15

Annual interest payable on securities issued by the Roblin Government and outstanding on June 1st, 1920, is payable at the following place as follows:

On Government Stock at London, England	\$339,655.53
Series "E" at London, England	74,946.66
Series "F" at London, England	39,906.66
Part Series "G" at Montreal	12,000.00
Part Series "G" at Chicago	8,000.00
Series "H, I, J" at London and Montreal	214,131.74
Drainage debentures at Montreal	76,412.97
Telephone debentures at Montreal	6,840.00

\$771,893.56

Annual interest on securities issued by Norris Government and outstanding on June 1st, 1920, payable in New York or Canada at holder's option

\$1,417,000.00

Total annual interest

\$2,188,893.56

Add on account of New York exchange at 12-17/32, as at May 28th, 1920

177,550.00

Total annual interest

\$2,366,443.56

Loss on \$25,298,000.00 bonds on account of payment of principal at New York on basis of rate of exchange as at May 28th, 1920—12-17/32%

\$3,169,839.40

Loss on annual interest for 20 years on account of exchange at \$177,550 per annum

3,250,154.55

Commissions paid for selling bonds by Norris Government on series "Q, R, S, T, L," and refunding issue February 1st, 1920, according to returns tabled in the Legislature—(See Appendix)

135,470.00

Actual amount in New York funds deducted from par value in New York funds on \$12,617,000.00 bonds sold in 1920 up to June 1st

957,066.20

Actual loss on account of rate of exchange as at May 28th, 1920, on \$12,617,000.00; Exchange 12-17/32 (12.53) per cent. on \$12,617,000.00

1,580,910.10

Less premium in Canadian funds received on account of said bonds

195,882.00

Net loss sustained by Province as at May 28th, 1920, on sale of \$12,617,000.00 bonds payable in New York

1,385,027.90

Taking only the 6% securities, amounting to \$12,117,000.00, sold in 1920 and payable in New York:

Loss on account of exchange, as aforesaid

\$1,518,260.10

Less premiums in Canadian funds

199,312.00

Net loss to Province

\$1,318,948.10

Annual interest on said 6% bonds issued in 1920

\$727,020.00

Add on account of interest being payable in New York exchange as of May 28th, 1920—12-17/32 (12.53) per cent. ....	91,095.60
Total annual interest on bonds issued between January 1st, 1920, and June 1st, 1920, payable in New York. ....	\$818,115.60
Every time the rate of exchange goes down one per cent. the Province loses on Norris Government issues:	
1 per cent. on \$25,298,000.00. ....	\$252,980.00
And in addition:	
1 per cent. on \$1,417,000.00, annual interest. ....	14,170.00
Or a total loss. ....	267,150.00
On 1920 issue:	
1 per cent. on \$12,617,000.00. ....	\$126,170.00
1 per cent. on \$727,020.00. ....	7,270.20
A total loss of. ....	\$134,440.20

#### Average Rate of Interest:

Roblin Government issues:	
Annual interest, \$1,173,102.41 on \$27,323,273.00 bonds, or. ....	4.29 per cent.
Norris Government issues:	
Annual interest, \$1,417,000.00 on \$25,298,000.00 bonds, or. ....	5.60 per cent.
Or an increase in rate of interest of. ....	1.31 per cent.
Average rate of interest has been increased 1.31 per cent. on par value, and in addition the Province, on May 28th, 1920, sustained a loss by reason of principal and interest being payable in New York:	
On account of principal. ....	\$3,250,154.55
On account of interest. ....	3,551,000.00
	\$6,801,154.55

And a further loss in the event of rate of exchange with New York increasing beyond 12-17/32:

For every one per cent. of. ....	\$267,150.00
On the \$2,000,000.00 five year 6 per cent., sold to Wood, Gundy at 89.66, New York funds, date of issue May 15th, 1920, the cost to the Province in New York funds was 8.70 per cent. plus exchange at 12-17/32 per cent., namely 1.09, making a total of 9.79 per cent. per annum that the Province is paying for this money.	

Public Accounts for the year ending November 30th, 1919, show outstanding liabilities in the shape of Treasury Bills as follows:

Page 12—Current balance sheet for outstanding revenue. ....	\$1,020,000.00
Patriotic levy purposes. ....	600,000.00
Seed grain purposes. ....	100,000.00
	\$1,720,000.00
Other accounts. ....	535,017.43
Page 12—Capital balance sheet, Drainage and Judicial purposes. ....	\$80,000.00
Other capital purposes. ....	2,843,000.00
	\$2,923,000.00
	\$5,178,017.43

Schedule of Treasury Bills. Page 38 Public Accounts. Brown's Statement, Free Press, May 10th, 1920.

Public Accounts, 1918-1919, as at November 30th, 1919.



Provincial debentures retired (Series "N, O, P," maturing April 1st, 1919).....			\$1,073,000.00	
Manitoba Government Telephones.....	750,000.00			\$1,250,000.00
Good Roads.....	250,000.00			250,000.00
Power Commission.....	250,000.00			250,000.00
New Parliament Buildings.....	250,000.00			750,000.00
Soldiers' Taxation relief.....	250,000.00			250,000.00
Live Stock purchase and sales.....	100,000.00			100,000.00
			\$2,923,000.00	\$2,850,000.00

**Note:**—Provincial Debentures retired as aforesaid were series "N, O," amounting to \$993,000.00, maturing on April 1st, 1919, and series "P," Drainage and Judicial Districts, \$80,000.00, maturing on April 1st, 1919.

Brown's statement in part, Free Press, May 11th, 1920:

"Hon. Ed. Brown, Provincial Treasurer, issued the following statement this morning in connection with the \$2,850,000.00 loan recently floated by the provincial government. The sale was made by private tender to J. P. Morgan & Co., of New York:

"The Government has not hitherto been in a position to issue statement as the final returns only reached the treasury on April 30th last. The issue in question represents the capital expenditures of the Government during the last five months of the fiscal year which ended the 30th of November last, and the amount appeared in the liabilities of the Province as presented to the House at the recent session in form of treasury bills outstanding. The money was spent by the Government for the following purposes:

Manitoba Government Telephone Commission.....	\$1,250,000.00
New Parliament Buildings.....	750,000.00
Good Roads.....	250,000.00
Manitoba Power Commission.....	250,000.00
Soldiers' Taxation Relief Act.....	250,000.00
Livestock purchase and sales.....	100,000.00
Total.....	\$2,850,000.00

It will be noticed that Mr. Brown has diverted \$1,000,000.00 in the application of the proceeds of the Treasury Bills; that is to say, he has added \$500,000.00 for Manitoba Government Telephones, and \$500,000.00 for the new Parliament Buildings to the amounts shown at page 38 of the Public Accounts for 1918-1919.

This is a clear misrepresentation either by Mr. Brown or by the Treasury Department in the Public Accounts.

The Hon. Edward Brown, during his term of office from May 15th, 1915, to June 1st, 1920, has sold bonds of the Province of Manitoba amounting to \$27,371,000.00.

Public tender for \$4,349,000.00 were advertised for and received, and the balance, amounting to \$23,022,000.00, were sold without tender and by secret negotiations:—That is to say:

Sold by Public tender.....	\$4,349,000.00
Sold by Secret negotiations.....	23,022,000.00
Total.....	\$27,371,000.00

The issues sold by Public Tender:

Series "C C," issued April 1st, 1919.....	\$1,580,000.00
Bonds, issued May 15th, 1920.....	2,769,000.00
	\$4,349,000.00

## FACTS REGARDING THE FINANCIAL POSITION OF THE PROVINCE OF MANITOBA UNDER THE NORRIS ADMINISTRATION

The total amount of debentures and stock of the Province of Manitoba outstanding at the 1st June, 1920, is \$42,966,870.34.

The total amount of debentures and stock of the Province of Manitoba outstanding on the 15th May 1915 when the Norris Government took office, was \$27,323,273.00, that is to say, the Norris Government have increased the bonded indebtedness of the Province by the huge sum of \$15,643,597.34, and this in four years and a half.

The amount of the bonded indebtedness on account of Consolidated Revenue as at 15th May, 1915, was \$17,958,908.02, while on the 30th November, 1919, it was \$30,800,908.02, that is to say, the Norris Government increased the bonded debt on account of Consolidated Revenue by the sum of \$12,842,000.00.

The interest charges on the bonded indebtedness on account of Consolidated Revenue when the Norris Government came into office in May, 1915, were \$646,163.27 annually. On the 30th November, 1919, the interest charges had risen to the sum of \$1,306,953.27, or more than double the amount when the Norris Government first came into power.

Of the amount of interest paid annually on outstanding bonds issued by the late Government \$8,000.00 is payable in the United States of America.

Of the amount of interest paid by the present Norris Government annually, \$1,417,000.00 is payable in the United States of America.

Taking the rate of exchange in New York at twelve and seventeen thirty-seconds (12-17/32), as shown by a letter signed by McDougall and Cowans, dated 28th May, 1920, copy of which is attached herewith, the Norris Government are actually paying in interest annually \$1,594,550.00.

These figures speak for themselves and show the absolutely reckless and extravagant manner in which the Honourable Edward Brown is spending the peoples' money.

## FACTS ABOUT THE BOND CONVERSION

Any person who studies the papers or takes any interest in the public affairs of the Province has heard of what is commonly known as THE BOND CONVERSION, but it is questionable whether very many people have gone thoroughly into this matter or have studied out the actual bearing that it has on the finances of this Province.

The following facts, which cannot be questioned, should be brought before the electors, and when they realize what these facts are there will be no need of further evidence regarding the incompetent manner in which the Norris Government, as trustees for the Province, have handled matters of finance.

In the year 1916, the Honourable Edward Brown, backed up by the members of the Norris Cabinet, bought back bonds in England amounting to \$3,100,403.30, thereby cancelling that amount in London, England, but at the same time assuming a new liability in New York amounting to \$2,651,000.00.

In view of this transaction the Honourable Edward Brown announced to the Members of the Legislature at the session held in the year 1917, that he had saved to the Province the sum of \$449,403.30, because, as he stated, he had reduced the bonded liability of the Province by that amount.

Let us see now what really has happened! The interest on these bonds when held in England amounted to \$127,018.81 annually, whereas after being converted and sold in New York, taking the rate of exchange at twelve and seventeen thirty-seconds (12-17/32), the annual interest is now \$142,160.73, that is to say, that the Province is losing annually in interest on this bond conversion \$15,141.92. But that is by no means all. Had these bonds been left in England, and taking the sterling exchange at \$4.25 to the English pound, the annual loss to the Province is not \$15,141.92, as stated above, but is \$30,545.33.

Now let it be clearly understood that these bonds, when held in England, had approximately thirty years to run before maturing, and assuming that present conditions will prevail (and we are quite justified in assuming this) this Province will lose in interest by this transaction the sum of \$916,359.90; deduct from this amount the sum of \$449,403.30, the saving claimed by Mr. Brown, and the Province has a net loss of \$466,956.60, which the people will be called upon to pay.

Not only this, but when the principal, namely, \$2,651,000.00, has to be repaid in six years, assuming that present conditions prevail, the people of this Province will be called upon to pay a further sum of \$331,375.00, which in addition to the loss already shown, means a total loss to the people of this Province of \$798,331.60. SUCH IS MR. BROWN'S HIGH FINANCE.

WHO IS THIS MR. BROWN? In addition to being Provincial Treasurer of the Province of Manitoba, we find that he is also a professional bond and stock dealer, the proof of which is shown by his advertisement in the daily paper, a copy of which is herewith shown.

ADVERTISEMENT OF EDWARD BROWN & CO. IN  
WINNIPEG TELEGRAM, NOVEMBER 28th, 1919

INVESTMENTS

We own and offer, subject to prior sale:

Victory Bonds, 1919  
New issue at Par and Interest  
British Columbia 5% Bonds  
Due July 2nd, 1936, payable New York to yield about  $5\frac{1}{2}\%$   
Saguenay Pulp and Power Bonds to yield  $6\frac{1}{2}\%$   
Bonds of School Districts and Rural Telephone Companies to yield from  $6\frac{1}{8}\%$  to  $6\frac{1}{2}\%$   
Allen's Winnipeg Theatres  
7% preferred stock with bonus of 25% common stock; Price Par

Write for full details

EDWARD BROWN & COMPANY

Bond Dealers

296 Garry Street, Winnipeg

We buy and sell Bonds for our account only and any statements made with reference to bonds sold are our opinion based on information we regard as reliable, being data we act upon in purchase and valuation of securities.

Now a man of Mr. Brown's experience, being a professional bond and stock dealer, should know something about the money markets of the world—it is his business to study them. Any man in his position should know that after the Civil War in the United States the American dollar sold in the City of Toronto for 40 cents. Now everybody knows that the American Civil War was nothing as compared with the European War. Everybody knows further that Great Britain has been borrowing huge sums of money from the United States, and any one with any knowledge of finance should have been able to see that after peace was declared the rate of exchange would be against Great Britain; and knowing this fact, what could be a worse policy than this BOND CONVERSION?

Mr. Brown will doubtless tell the electors that he brought about this BOND CONVERSION from a patriotic point of view in order to help to establish the credit of Great Britain in New York, but, as everybody knows, there is no sentiment in business, and this fact is very vividly brought out by the action of certain men in England who, not long ago, entered into contracts with lumber firms in Canada, and who, foreseeing the fact just mentioned, namely, that the rate of exchange would be unfavorable to England, stipulated in these contracts that the money paid to the Canadian contractor should be, NOT IN CANADIAN CURRENCY BUT IN STERLING, and it is a well-known fact that owing to the foresight of these Englishmen the Canadian contractor lost huge sums of money.

Another fact which should be brought before the electors of this Province is the following:

The Public Accounts for the fiscal year ending the 30th November, 1919, show that there were Treasury Bills outstanding to the extent of \$2,923,000.00. Amongst the items which go to make up this amount are:

Manitoba Government Telephones .....	\$750,000.00
New Parliament Buildings .....	250,000.00

In the month of May, 1920, Mr. Brown sold by private tender to J. P. Morgan and Company, of New York, bonds to the extent of \$2,850,000.00, which he stated, in an interview given to the Free Press, under date 11th May, 1920, was to take up the Treasury Bills shown outstanding at the 30th November last; and he further stated that the money spent by the Government, being proceeds of the Treasury Bills, was for the following purposes:

Manitoba Government Telephones .....	\$1,250,000.00
New Parliament Buildings .....	750,000.00

In other words, Mr. Brown stated that the Public Accounts for the period ended the 30th November, 1919, insofar as the schedule of Treasury Bills was concerned, was out one million dollars.

The people of this Province will be interested to know what happened to that million. To a professional bond and stock dealer this may appear a small item. The electors of this Province may think differently.

### **BOND SALES BY THE HONOURABLE EDWARD BROWN UP TO AND INCLUDING 31st MAY, 1920**

Since the 1st December, 1919, the Honourable Edward Brown has sold Provincial Bonds aggregating the sum of \$12,617,000.00. This is pretty good going for six months, and if the Norris Government is returned to power the people can form their own idea as to what Mr. Brown may do as regards bond flotation during the next five years.

The Norris Government must assume equal responsibility with Mr. Brown, because Mr. Norris himself has stated that the Government is responsible for Mr. Brown's actions, and that he has had the Government's endorsement.

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### **STARTLING MIS-STATEMENTS MADE AT MANITOU BY THE HONOURABLE EDWARD BROWN**

Mr. Brown, when speaking at Manitou recently, made the statement that no commission had been paid to any agent on account of the sales of Provincial bonds. That gentleman has a poor memory.

In a return to an Order of the House during the last session of the Legislature, showing what amounts had been paid in commission in what is known as the BOND CONVERSION, the return showed that the sum of \$56,894.41 had been so paid.

In another return made to the House, dated the 10th March, 1920, it stated that the Government had paid a commission of two and a half (2½) per cent. on a refunding issue of \$2,498,000.00, said commission amounting to \$62,450.00.

On still another issue of \$1,000,000.00, sold to Mr. Brown's friends, Messrs. Wood, Gundy and Company, a commission of two and a half (2½) per cent. was paid, amounting to \$25,000.00.

And yet Mr. Brown has the nerve to get up and tell the electors of this Province that the Norris Government paid no commission.

Not only that, but he tries to tell the people of this Province that the late Government in one item paid approximately \$150,000.00 in commission to one bank.

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### **APPENDIX**

1. Copy of advertisement in the Winnipeg Telegram, November 28th, 1919, of Edward Brown and Company, Bond Dealers.
2. Letter dated May 19th, 1920, from Hugh Armstrong.
3. Letter dated May 31st, 1920, from Hugh Armstrong.
4. Letter dated May 28th, 1920, from McDougall and Cowans.
5. Return to an Order of the House, dated February 3rd, 1920, Sessional Paper 31, relating to commissions paid on bond operations.
6. Sessional Paper No. 79, dated March 2nd, 1920, giving particulars of commission on the refunding issue, February 1st, 1920.
7. Order-in Council No. 28945, authorizing payment of 2 per cent. commission on \$1,000,000.00, Series "L."
8. Report of the Honourable Edward Brown's speech, in part, at Manitou, on May 25th, 1920, in which he said that the Government had never paid any commissions.
9. Letter dated June 7th, 1920, from H. C. Thompson, Treasurer of the City of Winnipeg, relating to bond issues of the Greater Winnipeg Water District and the City of Winnipeg during the year 1920.

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The following letters, signed by the Honourable Hugh Armstrong, late Provincial Treasurer of the Province, speak for themselves, and it is quite safe to leave it to the electors of this Province as to who they will believe, the Honourable Hugh Armstrong or Mr. Edward Brown:



(2)

Portage la Prairie, Canada, May 29th, 1920.

Dear Sir:—

Replying to yours, May 28th, in which you write that the Hon. Edward Brown, in making a speech at Manitou on May 25th, is reported to have said as follows:

"He would like to remind their critics they had never paid a dollar to a commission agency, and that during the last year of the late government's administration, one item, approximately \$150,000.00, was ordered to be paid to one bank as commission."

I did not read Mr. Brown's speech at Manitou and I cannot help thinking that he has been misrepresented, as I do not think he would make so reckless and untrue a statement.

This letter is to say that the statement as reported is absolutely untrue in so far as the late Government, during the last year that it was in office, having ordered a commission of \$150,000.00 to be paid to any bank. Also if Mr. Brown has succeeded in finding financial agents who will handle Government bonds without exacting a brokerage or commission he has done something that no one else ever accomplished and if this is not also a misquotation then the statement is manifestly untrue.

Yours truly,

(Sgd.) HUGH ARMSTRONG

(3)

Portage la Prairie, Canada, May 31st, 1920.

Dear Sir:

Reading over my letter of Saturday I think perhaps that it is not sufficiently explicit and this letter is to say that during my term of office as Provincial Treasurer no commission was paid by the Government to any bank in Winnipeg or elsewhere.

Yours truly,

(Sgd.) HUGH ARMSTRONG

Copy of letter from McDougall and Cowans, above referred to:

(4)

McDOUGALL & COWANS  
Stock Brokers  
Members Montreal Stock Exchange  
218 Portage Avenue - Winnipeg, Man.

May 28th, 1920

My Dear Sir:

Confirming our conversation today, I beg to advise you that New York Funds at Montreal were quoted at twelve and seventeen thirty-seconds (12-17/32).

Yours very truly,

(Sgd.) McDOUGALL & COWANS,  
per J. M. Black,  
Manager.

## BOND CONVERSION

(5)

### RETURN TO AN ORDER OF THE HOUSE

SHOWING:—

Dated Feb. 3rd, 1920

- (a) All expenses incurred in connection with the purchase of bonds bought in London, England, and transferred to New York, U.S.A., under what is commonly known as "The Bond Conversion."
- (b) All expenses incurred in connection with the sale of said bonds in New York, U.S.A., such as commission, cable charges, etc.

Department of the  
Provincial Treasurer,  
3-2-20.

Answer to (a):

Agent's Commission:

One-eighth of 1% on purchase of bond to the amount of \$3,100,403.30 . . . . . \$3,874.41

Answer to (b):

Agent's Commission:

2% on sale of Manitoba bonds to the amount of \$2,651,000.00 . . . . . \$53,020.00  
Engraving bonds and Sundry expenses . . . . . 6,867.57  
\$59,887.57

## SESSIONAL PAPER No. 79

ORDER OF THE HOUSE, dated March 2nd, 1920, for a return showing:

"FULL PARTICULARS OF ALL TRANSACTIONS IN CONNECTION WITH THE PAYMENT OF DEBENTURES, SERIES "K," DUE FEBRUARY 1st, 1920, ESPECIALLY SHOWING WHETHER PAYMENT WAS MADE IN NEW YORK FUNDS OR CANADIAN FUNDS."

TREASURY—8-3-20.

Debentures of the Province, Series "K," were issued by the late Government on the 1st of February, 1915, for the sum of \$5,475,000.00, and made payable on the 1st of February, 1920, in the Union Bank of Canada, Montreal, Toronto or Winnipeg, or at the National Park Bank of New York, City of New York.

So far as we know all of these debentures were sold through the New York market, and were payable there in New York funds.

When these debentures were maturing, and it was practically certain that difficulties were liable to arise in connection with the flotation of a new issue, the Provincial Treasurer visited the Eastern cities of Canada, and New York City, and came to the conclusion that the New York market could not absorb the full amount of securities which had been issued by the Province and were due there on the 1st of February, amounting in all to \$6,498,000.00.

The Government thereupon decided to call for tenders issue debentures early in the year for \$4,000,000.00, which issue was so sold to the Merchants Bank of Canada and associates at 102.81 Canadian funds, or 94.76 New York funds, and the exchange to make up the net amount, \$4,000,000 in New York funds, was forwarded from Winnipeg.

This left still to be taken care of \$2,498,000.00, and the Provincial Treasurer offered this amount for sale in the Canadian market, and eventually concluded, when on his way to New York, an arrangement with representatives of Canadian firms for a sale of this amount at 93.45 per centum, and accrued interest (American funds), or 101.85 Canadian funds less exchange at 9 per centum of the net amount; but owing to a very technical objection made by the solicitor for the firms and no doubt to the fact that the market was falling this sale fell through.

A temporary arrangement was then made with the Union Bank of Canada in New York to pay the amount, and the Provincial Treasurer promised to arrange for the refund of the amount to the Union Bank of Canada within six days, and a further arrangement was then made with the Merchants Bank of Canada to carry the said amount up to the 15th of March. In the meantime an arrangement had been made with the banking house of J. P. Morgan & Company of New York, to take an issue of Province of Manitoba debentures bearing interest at six per cent. per annum, payable in ten years, and to offer the same to the New York market at 94.61 per centum of par and accrued interest, American funds, less a commission of two and one-half per cent. of the amount of the loan. Interim debentures have been issued for this amount, and are now in the hands of J. P. Morgan & Company, and the sale is proceeding, engraved bonds are being prepared and will be forwarded to exchange for the Interim bonds.

No. 28,945.

On the recommendation of the Honourable the Provincial Treasurer  
Committee Advise:

That the Provincial Treasurer be and is hereby authorized to sell to the Dominion Securities Corporation Limited and Messrs. Wood, Gundy and Company, both of Toronto, debentures of the Province, Series "L," amounting to one million dollars (\$1,000,000.00) dated October 1st, 1915, and maturing October 1st, 1920, bearing interest at the rate of five per centum per annum, at the price of ninety-six per cent. of par and accrued interest less two points as an underwriting charge, said bonds to be delivered through the Merchants Bank of Canada in Toronto and the proceeds paid in said bank for the credit of the Province.

CERTIFIED:

P. WEBSTER,  
Clerk of the Executive Council.

Winnipeg Man.

January 25th, 1918.

(The Honourable Mr. Johnson in the Chair)

**EXTRACT FROM SPEECH OF THE HONOURABLE EDWARD BROWN AT MANITOU,  
ON MAY 25th, 1920, AS IT APPEARED IN THE WINNIPEG FREE PRESS,  
MAY 26th, 1920**

"He had travelled as he was charged with the responsible position of financing the Government, and he would like to remind their critics they had never paid a dollar to a commission agency, and that, during the last year of the late Government's administration, one item, approximating \$150,000 was ordered to be paid to one bank as commission. That was more than the travelling expenses of the present administration in five years."

Winnipeg, Man., June 7th, 1920.

MEMORANDUM TO MR. JOHN T. HAIG:

(9)

On April 1st, 1920, the Greater Winnipeg Water District had maturing in New York, \$2,000,000 of Debentures, which were issued on February 1, 1915. At that time the market was in a very bad condition and it was quite impossible to make a long term loan payable only in Canada.

We sold \$2,215,000.00, 10 year, 6% debentures, payable in Canadian cities and New York at 87.25 and interest, payment in New York funds.

The market improved considerably and about a month later, March 19, we were able to sell \$1,000,000.00 Greater Winnipeg Water District 6% debentures. The bonds were payable in Canada only and were sold at 98.389 or a 6.14 yield basis. This was a very high price and we were fortunate in striking the peak of the market, but conditions began to get worse, and on April 20, 1920, we sold, for School Board purposes, \$525,000.00, 6%, 20 year bonds, payable in Canada only, at 97.67 or a yield basis of about 6.21%.

Just now the market is in a very demoralized condition and no attempt should be made to issue debentures except where it is imperative to raise money. Neither Winnipeg or the Water District could hope to get any reasonable price just now, and both are fortunate in having their financing done for the present.

Yours truly,

(Sgd.) H. C. THOMPSON,  
City Treasurer.

